

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2013-451-WS

In Re:)
)
Application of CUC, Incorporated)
for Adjustment of Rates and Charges)
)
)
)
)
_____)

Surrebuttal Testimony
of George B. Flegal, Jr.
on behalf of
Callawassie Island Property Owners' Association
and Spring Island Property Owners' Association

1 **Q. PLEASE STATE YOUR NAME.**

2 A. My name is George B. Flegal, Jr.

3 **Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS PROCEEDING**
4 **ON SEPTEMBER 26, 2014, ON BEHALF OF THE CALLAWASSIE ISLAND**
5 **AND SPRING ISLAND PROPERTY OWNERS ASSOCIATIONS?**

6 A. Yes, I did.

7 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

8 A. The purpose of my Surrebuttal Testimony in this case is to respond to the Rebuttal
9 Testimony of CUC, Inc. witness Billy F. Burnett.

10 **Q. WHAT ARE YOUR COMMENTS CONCERNING THE PASS THROUGH**
11 **ALLOWANCE?**

12 A. Mr. Burnett intimates that I don't understand this concept but I would counter that Mr.
13 Burnett tries to make this a much simpler process than it really is. CUC has many
14 revenue and expense items which can vary from time to time so that allowing an increase
15 in purchased water cost does not mean that the rate of return or operating margin is
16 maintained at a constant level because of all of the other variables involved such as,
17 revenues due to customer growth and/or wet or dry weather as well as reductions in
18 operating expenses. All of these variable factors need to be investigated to determine if
19 such a pass through is appropriate.

20 **Q. WHAT ARE YOUR COMMENTS REGARDING MR. BURNETT'S COMMENTS**
21 **RELATIVE TO POSTAGE AND METER READING?**

22 A. I was surprised at his comment for not adjusting postage costs when proposing to go from

1 monthly to bi-monthly billing wherein he said, "We did not make a deduction in our
2 adjustments as we did not know if the ORS would allow us to bill this way." So far as I
3 can recall, this is the only item of CUC's proposed increase that they seemed to have any
4 doubt about. This could lead me to several conclusions that I won't discuss. So far as
5 CUC's not offering budget billing is concerned, if they have a computerized billing
6 system, this should not be a difficult task.

7 Mr. Burnett states: "It takes all three of our operators working two to three days,
8 depending on weather, to read all of the meters and to assist in the billing process." In my
9 experience and studies of companies with meters in meter pits, one meter reader should
10 easily be able to read around 300 meters per day. If it is difficult to access some of the
11 meters, that is CUC's fault because they installed them. To alleviate this problem a
12 decision should be made to correct these problems to make meter reading more efficient.
13 I don't understand the comment "assist in the billing process."

14 **Q. DO HAVE ANY COMMENT PERTAINING TO OFFICE RENT?**

15 A. I would just repeat my previous comment that CUC finds it unnecessary to "rent" an
16 office after 35 years without one.

17 **Q. WHAT IS YOUR REACTION TO MR. BURNETT'S COMMENTS ABOUT**
18 **"JUNK FEES"?**

19 A. I would like for Mr. Burnett to prove his statement that the company for which I worked
20 had some of the same fees. This would give him a choice of about 80 companies to
21 investigate. I will repeat that CUC is collecting their labor costs in the rates and if they
22 bill a customer for a service, they are collecting those costs, again, plus a premium.

23 **Q. DO YOU HAVE ANY COMMENTS PERTAINING TO MR. BURNETT'S**

1 **COMMENTS ABOUT EXHIBIT A?**

2 A. This table was prepared to depict the “average” customer which is what it does.

3 **Q. WHAT ARE YOUR COMMENTS ABOUT MR. BURNETT’S REACTION TO**
4 **YOUR “SOURCE AND APPLICATION OF FUNDS” ANALYSIS?**

5 A. It appears as though Mr. Burnett has not learned anything about “cash flow” since 2006
6 when he had the same opinion. I will try to explain it again in basic terms. When you are
7 allowed depreciation in a rate case, every dollar that you receive in revenue contains an
8 amount for depreciation, just like labor, electricity, chemicals, purchased water, etc.
9 Everything being equal, the money you receive for these various items is used to pay for
10 those items with the exception of depreciation for which there is nothing to pay.
11 Therefore in a cash flow analysis, “source and application of funds,” it is included as a
12 source of funds.

13 **Q. DO YOU HAVE ANY COMMENTS CONCERNING MR. BURNETT’S**
14 **COMMENTS ABOUT YOUR EXHIBIT D?**

15 A. If Mr. Burnett wants to reduce the health care costs, he should do as many companies
16 have done recently and that is to have the employees pay about 25% of such costs.

17 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

18 A. Yes, it does.